

VZCZCXRO7434
PP RUEHGR
DE RUEHKG #0354/01 1152032
ZNR UUUUU ZZH
P 242032Z APR 08
FM AMEMBASSY KINGSTON
TO RUEHC/SECSTATE WASHDC PRIORITY 6242
INFO RUCNCOM/EC CARICOM COLLECTIVE
RUEHSJ/AMEMBASSY SAN JOSE 1986
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 KINGSTON 000354

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SUBJECT: JAMAICA: PM GOLDING GAMBLES ON CASINOS AS PART
OF IMPRESSIVE BUDGET PRESENTATION

REF: KINGSTON 279
KINGSTON 343
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SUMMARY

¶1. (SBU) Despite strong opposition from the powerful church lobby, Jamaica's Prime Minister Bruce Golding has announced his government's decision to issue two casino licenses. The conditional licenses will be issued to real estate projects by Celebration Jamaica (Palmyra Resort) and Tavistock Group (Harmony Cove) (see reftel A). As part of the agreement, both groups will be required to invest a minimum of USD 1.5 billion and build at least 1,000 rooms. Taxes generated from the industry will be used to fund the country's enormous social deficit. Although casinos took center stage, Golding used his first Parliamentary budget speech the address the two biggest issues on the island: skyrocketing food prices and energy security. Golding's speech appears to have been well received, with most pundits suggesting he demonstrated an excellent command of his new position. End Summary.

Vegas on the North Coast?

¶2. (SBU) After years of robust opposition from Jamaica's influential church lobby, Golding took the bold step of legalizing casinos. The decision to revisit the introduction of casino gaming came out of the review of a report prepared in consultation with PriceWaterhouseCoopers in Canada, which concluded that casinos could be a vibrant industry for Jamaica and result in significant new employment opportunities. The Government of Jamaica (GOJ) has established the following requirements in order to consider applications for casino licenses:

- A) minimum investment of USD 1.5 billion and the construction of not less than 1,000 rooms;
- B) casino component to be no more than 20 percent of the total project;
- C) operators of the casino to be subject to the approval of the government after appropriate due diligence, including fit and proper tests and evaluation of track record of success in the sector;
- D) an appropriate regulatory framework with the necessary legislation and enforcement mechanism in place.

While a firm decision has not been made, Golding intimated that tax proceeds from the industry will be earmarked in the consolidated fund to finance the country's enormous social deficit.

But, Gambling Is Not New

13. (SBU) Although bringing full service casinos to the island has always been a lightning rod issue, in reality, gambling has become commonplace for many Jamaicans. There are horse racing events at least twice per week, a national lottery, and numerous slot machine establishments on the island. Golding highlighted this fact in his speech, arguing that the country has tiptoed around the issue, not wanting to be embroiled in the controversy. "We have sneaked up on the issue while proclaiming our opposition to it", he continued. He pointed out that in the 1990s the previous government had started issuing licenses for the operation of slot machines, leading to several gaming lounges and hundreds of slot machines in operation throughout Jamaica. Golding noted that the only exception had been that live gaming tables were not permitted; however, with improved technology, many slot machines now carry games which, traditionally, were exclusively table games. To make matters worse, in 2006, the previous government had entered into an agreement with the private equity group Tavistock for the development of the Harmony Cove project which was subject to the issuance of a casino gaming license.

Jobs, Jobs, and more Jobs...

14. (SBU) The decision to bringing major casinos to the island was not surprising, given that then shadow Finance Minister Audley Shaw told emboffs in August 2007 that casino gaming would be introduced irrespective of which party was elected. Members of the Harmony Cove board told emboffs casinos were "a done deal." Minister of Tourism Edmund Bartlett has used the last four months promoting gambling as a way to expand the tourism sector. The most important

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factor leading to the approval of casinos is that the Jamaican Labour Party (JLP)-led government is coming under increasing pressure to deliver on its promise to provide "jobs, jobs and more jobs." In this regard, the government has approved proposals from the developers of the Palmyra Resort and Spa, operating as Celebration Jamaica Limited for a 2,080 room hotel at a cost of USD 1.8 billion. As part of its casino license, Tavistock also has agreed to increase the size of its project from 4,500 rooms to 8,500 with an additional investment of USD 1 to 2 billion. With each hotel room requiring two workers, these two investments are expected to employ over 20,000 people.

Investment Climate

15. (SBU) Golding also spent much time addressing the perilous state of the investment climate and the steps being taken to improve it. "We are taking steps to improve the country's business friendliness. We want to roll up the red tape and roll out the red carpet", stated Golding. Chief among the measures being taken are tax and labor market reforms, reduction in bureaucracy, and overhauling the development approval process to create a one-stop agency to evaluate land use and building projects with a 90-day period for approval or rejection. By way of major investments, Golding announced that 7,000 new rooms are to be built over the next two years, with expenditure of USD 157 million this year. This is to be complemented by the development of a cruise ship terminal through a collaborative effort between Carnival Cruise Lines and the Port Authority of Jamaica. Additionally, projects such as the Vernam field cargo transshipment airport, a new passenger airport, and a major free trade zone complex are in the pipeline.

Energy and Food Crisis

16. (SBU) Since most Jamaicans are reeling from rising food and energy prices, Golding spent most of his speech addressing both concerns. He was particularly alarmed about the impact of soaring food prices on the over 350,000 Jamaicans living below the poverty line. The potential for social instability was not lost on Golding;

he pointed out that the world was facing the worst food crisis in more than half a century, and noted that riots have broken out in 33 countries and that more rioting is likely to follow. To assist the poorest of the poor, Golding outlined a series of relief measures (Note: Septel will detail government response to rising food prices. End note).

¶17. (SBU) Although food was the critical social issue, the cost of energy was highlighted as the most immediate challenge facing the oil dependent economy. Jamaica's oil bill is now equal to 70 percent of exports. To stem this tide, Golding announced that he had instructed all government departments to target a 15 percent reduction in energy consumption. Other initiatives include the changing of the incentive structure to encourage energy efficient devices such as solar panel systems and developing a National Building Code to include mandatory stipulations for energy efficiency. Golding also said he had a plan to work with a private sector company to convert ubiquitous taxis from petrol to LPG, which could save 30 percent on fuel costs.

Comment

¶18. (SBU) From all indications, Golding's maiden budget presentation appears to have been well received among Jamaicans. Most analysts are suggesting that he demonstrated a good command of his areas of responsibility. This is not surprising, given that he started preparing for this moment almost 36 years ago. Performance aside, the decision to introduce casino gaming is fraught with political danger, given the influence of the church, and must have been a delicate balancing act between economics and politics. But Golding's government must start delivering on its promise of job creation, so economics was the easier choice at present. The fact that the decision was taken so early in the administration allows the government some time to point to any economic expansion that follows before facing elections. There is speculation that at least two more licenses may be issued in the near future. The likely candidates are Canadian-Jamaican billionaire Michael Lee-Chin and/or hotel mogul Gordon "Butch" Stewart. Both have major interest in Portland, an unspoiled area currently being developed as a high end tourist destination. End comment.

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